

CITY OF WESTSIDE, IOWA

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

FOR THE PERIOD
APRIL 1, 2020 THROUGH MARCH 31, 2021

CITY OF WESTSIDE, IOWA
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CITY OF WESTSIDE, IOWA
OFFICIALS
March 31, 2021

<u>Name</u>	<u>Title</u>	<u>Term Began</u>	<u>Term Expires</u>
Michell Simons	Mayor	January, 2018	January, 2022
Allan Kock	Mayor Pro Tem	January, 2018	January, 2022
Kevin Simons	Council Member	January, 2018	January, 2022
Larry Jons	Council Member	January, 2020	January, 2024
Jary Quandt	Council Member	January, 2020	January, 2024
Nicole Kock	Council Member	January, 2020	January, 2024
Jenna Hausman	City Clerk		Indefinite
George Blazek	City Attorney		Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Honorable Mayor
and Members of City Council

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Westside, for the period April 1, 2020 through March 31, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Westside's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Westside's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.

To the Honorable Mayor,
Members of City Council

5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2020 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. The City had no investments.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We scanned selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We observed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We traced selected receipts to accurate accounting and consistency with the recommended COA.
13. The City had no voter approved levies.
14. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
15. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
16. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
17. We observed the annual certified budget for proper authorization, certification and timely amendment.

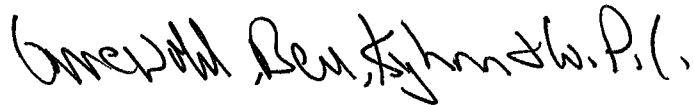
Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

To the Honorable Mayor,
Members of City Council

We were engaged by the City of Westside's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Westside and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.



Atlantic, Iowa
October 29, 2021

DETAILED FINDINGS AND RECOMMENDATIONS

CITY OF WESTSIDE, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (A) Segregation of Duties - Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements. Generally, one individual has control over each of the following areas for the City:

- (1) Cash - handling, reconciling and recording.
- (2) Receipts - opening mail, collecting, depositing, recording, reconciling and posting.
- (3) Disbursements - purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll - recordkeeping, preparing and distributing.
- (5) Utilities - billing, collecting, depositing and posting.
- (6) Financial reporting - preparing and reconciling.
- (7) Journal entries - preparing and recording.

Recommendation - We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

- (B) Bank Reconciliations - The cash balances in the City's general ledger were not reconciled to bank account balances throughout the year. For the two months independently reconciled, the bank balances for the City's bank accounts exceeded (were less than) the book balances by \$3,266 and \$(1,241).

Recommendation - The City should establish procedures to ensure bank account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely. An independent person should review the reconciliations and document the review by signing or initialing and dating the monthly reconciliations.

- (C) City Council Meeting Minutes - Chapter 372.13(6) of the Code of Iowa requires the City Council minutes to include total disbursements for each fund and a summary of all receipts. The City Council minutes did not include total disbursements for each fund or a summary of all receipts.

Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa and include the total disbursements for each fund and a summary of all receipts in the City Council minutes.

CITY OF WESTSIDE, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (D) Tax Increment Financing - The City's Tax Increment Financing receipts, expenditures, and fund balance reported on the Annual Urban Renewal Report, the City's general ledger, and the 2020 Annual Financial Report do not agree.

Recommendation - The City should put in place procedures to ensure that the general ledger accurately reflects their Tax Increment financing receipts, expenditures, and fund balance and ensure that those amounts are accurately reported on the City's Annual Urban Renewal Report and Annual Financial Report.

- (E) Publication of Budget - Per Chapter 384.16(3) of the Code of Iowa, cities are required to publish a notice of the public hearing for the City's budget "not less than ten nor more than twenty days before the hearing...". The City's 2021 budget was published in the newspaper seven days before the public hearing.

Recommendation - The City should comply with Chapter 384.16(3) of the Code of Iowa and publish the budget within the appropriate timeframe.

- (F) Monthly Financial Reports - The City's monthly financial report for June 2020 was unable to be located.

Recommendation - The City should establish procedures to ensure monthly financial reports are properly backed up at the City and can be easily located.

- (G) Disbursements - There was no documentation of approval for all disbursements, supporting documentation was not available for one of the thirty disbursements tested, and the general ledger account isn't indicated on the invoice.

Recommendation - The City should keep appropriate documentation for all disbursements, the Council should document their approval of all disbursements by initialing a summary of disbursements at each Council meeting, and the general ledger account should be easily identified on each invoice to ensure accurate accounting for each disbursement.

- (H) Credit Card - The City has a credit card to be used by employees for City business. The City has not adopted a formal policy to regulate the use of the credit card and to establish procedures for the proper accounting of credit card purchases.

Recommendation - The City should adopt a formal written policy regulating the use of the City's credit card. The policy, at a minimum, should address who controls the credit card, who is authorized to use the credit card and for what purposes, as well as the types of supporting documentation required to support the purchase.

CITY OF WESTSIDE, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (I) Certified Budget - Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public works, general government, and business-type activities functions. Chapter 384.20 of the Code of Iowa states, in part "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

- (J) Payroll - The following were identified:

1. No approval of wages for City employees or Council Members could be located.
2. Timesheets were not filled out by all City employees. For the employees who did fill out timesheets, no approval of these timesheets was noted by another individual.
3. Payroll withholding taxes were not properly withheld from all employee paychecks and therefore, the correct employee and employer matching amounts were not remitted to the appropriate authority.

Recommendation - The City Council should approve pay rates for City employees at the time of hiring and document pay rates annually in the minutes, timesheets should be prepared by all City employees and approved by appropriate supervisory personnel, and payroll taxes withheld from employee paychecks and matched by the City should be accurately computed and remitted.

- (K) Annual Financial Report - The following were identified:

1. The beginning fund balance per the 2020 Annual Financial Report is \$171,100 lower than the ending fund balance on the 2019 Annual Financial Report.
2. The ending fund balance on the 2020 Annual Financial report is \$93,016 lower than the cash balance at June 30, 2020 per the City's financial records.
3. The "Indebtedness at June 30, 2020" included on the 2020 Annual Financial Report was not accurately reported.

Recommendation - The City should put in place procedures to ensure that the Annual Financial Report accurately reflects the City's financial information.

- (L) Outstanding Debt Obligations - The amounts reported for the City's outstanding debt obligations at June 30, 2020 did not agree between the City's Annual Financial Report, the City's Outstanding Obligation Disclosure Statement, and the Annual Urban Renewal Report.

Recommendation - The City should put in place procedures to ensure that the City's outstanding debt obligations are accurately reported and that the amounts agree between the Annual Financial Report, the Outstanding Obligation Disclosure Statement, and the Annual Urban Renewal Report.

CITY OF WESTSIDE, IOWA

Detailed Findings and Recommendations

For the period April 1, 2020 through March 31, 2021

- (M) Interfund Transfers - Section 545-2 of the City Finance Committee Rules requires "A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred.

Transfers made in fiscal year 2020 were not approved by a fund transfer resolution.

Recommendation - The resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee rules.

- (N) Investments - The City has adopted a written investment policy. However, this investment policy cites Iowa Code Chapter 452 instead of Iowa Code Chapter 12B.10B.

Recommendation - The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa.

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